

7 June 2021

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Internal Audit Report for Waterperry with Thomley Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Lawrence Wotten, on 24 May via Zoom and finalised the information on 7 June 2021.

BASIS OF REPORT

This internal audit report is based upon the JPAG (Joint Panel on Accountability and Governance) Governance and Accountability for Smaller Authorities in England 2020 publication.

The scope of this internal audit is focused on assessing the effectiveness of the Council's internal controls and was outlined in the original Letter of Engagement. Where any such controls are found to be deficient, the internal audit will help lead to improvement in those processes.

By applying the principles of internal auditing, outlined in the current Accounts and Audit Regulations and applying the approach to internal audit testing outlined above, every effort is made to ensure that all internal audits are conducted with due professional care, integrity and independence. All conclusions derived from the audit are based upon objective and traceable evidence.

Please note: it would be incorrect to view internal audit as the detailed inspection of all records and transactions of the Council in order to detect error or fraud. It is the periodic independent review of a Council's internal controls resulting in an assurance report designed to improve effectiveness and efficiency of the activities and operating procedures under the Council's control. Managing the Council's internal controls should be a day-to-day function of the staff and Councillors and not left for internal audit. (Source: Governance and Accountability for Smaller Councils - A Practitioners' Guide 2020 – Section 4).

Annual Return Section	Process	Findings	Recommendations and actions
A	Bookkeeping Arrangements	Appropriate books of account have been kept properly throughout the year and are well maintained with sound audit trails.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
B	Council's Financial Regulations have been met with regard to expenditure	<p>The Council's Financial Regulations have been met in that appropriate authorisations have been given for each level of expenditure.</p> <p>Payments were supported by invoices, and expenditure was approved and VAT appropriately accounted for.</p>	No further recommendations.
C	Review of Internal Controls	The Council did not review the Risk Assessment to assess the significant risks to achieving its objectives.	<p>The Council should review and update the financial risk assessment annually using the JPAG recommendations (starting at 5.89 and criteria 5.91) and publish it on the website.</p> <p>See below.</p>
D	Budgetary Controls (Precept requirement)	The annual Precept requirement resulted from an adequate budgetary process.	<p>More detail should be included in the Minutes regarding the setting of the draft budget which should be agreed prior to the consideration of the Precept (which should also be minuted in full).</p> <p>It would be good to see a basic draft budget published. The Council should be mindful that this is public money which is being spent / requested and therefore the information should be publicly available.</p>
D	Budgetary Controls (Budget monitoring)	Progress against the budget was monitored by the Clerk once the bank statements had re-surfaced.	Recommend publishing a quarterly review.
D	The final Outturn is in line with expectations.	The final outturn was materially in line with expectations.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
E	Income controls	Expected income was fully received and properly recorded in the cash book.	Recommend recording all income in the Finance section of the Minutes as part of the Finance Report.
F	Petty cash controls	Petty cash is operated by the Council.	Recommend banking all current cash and closing this.
G	Payroll controls	The previous Clerk took no salary and as the current Clerk was previously a Councillor no salaries were paid.	Once the Clerk is paid, ensure that the Council obtains all the necessary documentation from HMRC to set up recording salary payments and also ensure that the Pensions Regulator is informed.
H	Asset Controls - the register has correctly recorded all material assets?	The current asset register has correctly recorded all material Assets. The correct basis of valuation has been applied.	No further recommendations.
H	Asset Controls - all additions correctly recorded?	Additions in the year have been correctly recorded within the Cash Book and Register.	No further recommendations.
H	Asset Controls - all Deeds and Titles established and shown on register?	There are currently no Deeds or Titles	No further recommendations.
I	Bank Reconciliations	Periodic and year-end reconciliations were properly carried out.	No further recommendations.
J	Accounting Statements	The Accounting Statements prepared during the year were prepared on the correct accounting basis and were supported by an adequate audit trail.	No further recommendations.
K	Limited Assurance Review Exemption	The Council meets the exemption criteria.	No further recommendations.
L	Information published on website	The information is available.	A review of the website may be required in due course.

Annual Return Section	Process	Findings	Recommendations and actions
M	Exercise of Public Rights	The Parish Council published the exercise of public rights on the website and noticeboard.	While the public rights notice was published, it was not in the time frame specified by the External Auditors. Moving forward, ensure that the dates comply with the Regulations this year. I recommend that the notice is posted on the noticeboard, published in the Finance section of the website, and that the dates are agreed and Minuted prior to publication. Photographic proof may be required next year.
N	AGAR Publication Requirements	The Parish Council complied with the publication requirements for the 2019/20 AGAR.	All the documents are now available on the website, but did not conform to the requirement dates.
O	Trust Funds (If applicable)	The Parish Council operates as a Trustee for 1 external body. Returns are filed.	No further recommendations.

Transparency Compliance

Process	Criteria	Findings	Recommendations and actions
Review of Internal audit action plan has been considered and actioned?	Good Practice	The Internal Audit had not been reviewed the previous year.	Recommend undertaking a review this year.
External Audit recommendations have been considered and actioned.	Good Practice	No Conclusion of Audit report had been received for 19/20 as the Council certified as Exempt.	No further recommendations.
Accounting Statements agreed and reconciled to the Annual Return	Section 1 of the Annual Return Part 1 of the Annual return is complete and accurate and reconciles to the statement of accounts.	The accounting statements in this annual return present fairly the financial position of the Council and its income and expenditure.	No further recommendations.

Process	Criteria	Findings	Recommendations and actions
Compliance with the Transparency Act	As the Parish falls into the criteria for Councils below the £25k threshold, it must conform to the criteria and publish the items below.		
Compliance with the Transparency Act	1) Expenditure over £100 is recorded on the Council Web-Site and with all information requirements	Not currently available as a separate list.	Ensure available on the website
Compliance with the Transparency Act	2) Annual Return published on the Web-Site	Available on the website.	No further recommendations.
Compliance with the Transparency Act	3) Explanation of significant variances	Not currently available.	Ensure publication.
Compliance with the Transparency Act	4) Explanation of difference between Box 7 & 8 if applicable	Not applicable.	No further recommendations.
Compliance with the Transparency Act	5) Annual Governance Statement recorded	Available on the website.	No further recommendations.
Compliance with the Transparency Act	6) Internal Audit Report Published	Available on the website.	No further recommendations.
Compliance with the Transparency Act	7) A List of Councillors' responsibilities	Available on the website.	No further recommendations.
Compliance with the Transparency Act	8) Details of Public Land and Building Assets	Not applicable.	No further recommendations.
Compliance with the Transparency Act	9) Minutes & Agenda	Available on the website.	No further recommendations.

Further Recommendations:

Following the completion of the Internal Audit, I strongly recommend that the Council completes a review of effectiveness. A blank form has been supplied.

The Clerk should be supported in his completion of ILCA which will be of great benefit, not only to the Clerk's professional development, but to the Council. The Clerk may wish to take his development further and work towards achieving CiLCA (Certificate in Local Council Administration).

I recommend that as the Council is a member of the Oxfordshire Association of Local Councils (OALC) – the Council's professional body – the Council should also consider supporting the Clerk in joining the Society of Local Council Clerks (SLCC) – the Clerk's professional body. The Council may pay the SLCC subscription as it is of significant benefit to the Council to be a member.

Advice and guidance has been given on the setting out of the Agenda and Minutes in order that the Council is able to remain focussed on the topic in hand. All items for decision should have their own clearly written motion / agenda item in order that the Council – and any members of the public – are able to prepare adequately for the meeting.

While the Financial Regulations are up-to-date, the current Standing Orders are out of date. The latest iteration developed by NALC in 2018 is available on OALC's website and should be adopted at the earliest opportunity.

Due to the hiatus with the Clerk, the 20/21 financial risk assessment was missed. I recommend considering and adopting the risk assessment early in the financial year so that it can be used as a working document throughout the year.

The Council should ensure that the banking provision is fit for purpose and may wish to review this, particularly in relation to electronic banking. I recommend that the Clerk is the administrator on the bank accounts and that the Council has at least three Councillor authorisers / signatories. To protect the Council and Clerk, a similar procedure should be maintained whether cheques or online payments are made – ie that the Clerk prepares the payment and at least one Councillor (for online) authorises it having seen and checked the appropriate paperwork.

The Council may like to consider the provision of a debit card or charge card on the bank account in order that items such as Microsoft, anti-virus software or website domain names can be bought in the Parish's name without the need to resort to the Clerk or another Councillor having to use their personal accounts. With the appropriate safeguards and procedures this would be acceptable.

While the Council holds some reserves, I recommend that the Council adopts a Reserves Policy which outlines the earmarked reserves and sets aside sums for specific projects.

It was noted that at the time of the initial review, the Council was not registered with the Information Commissioner. Under the Data Protection Act 2018 it is a requirement that all organisations which process personal data should be registered and have the appropriate publication scheme. The Council should also have appropriate Data Protection and Document Retention policies.

Many Clerks start working in a Parish with very little training or knowledge of how Parish Councils work and will copy what the previous Clerk did. While there are a number of comments above, these are meant to help improve the working and efficiency of the Council and I will be very happy to help the Clerk to work through them.

Waterperry with Thomley Parish Council Parish Council has an electorate in the region of 137 and the Precept for the year 20/21 was set at £7,150.

In general, I believe that the Council has reasonably competent arrangements in place to satisfy itself that its systems of internal financial control are transparent and effective. There are approval and authorisation controls to minimise risk. The audit and management trail for financial transactions is acceptable.

I hope that this report is of help to the Council. If you would like any further assistance or clarification, please do contact me.

Jane Olds

Jane Olds
Internal Auditor